Interim condensed consolidated financial information and review report

Gulf Cable and Electrical Industries Company – KPSC
and Subsidiaries
Kuwait

30 June 2018 (Unaudited)

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Report on review of interim condensed consolidated financial information

To the board of directors of
Gulf Cable and Electrical Industries Company – KPSC
Kuwait

Introduction
We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Cable and Electrical Industries Company – KPSC ("Parent Company") and its subsidiaries ("the Group") as of 30 June 2018 and the related interim condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

Report on review of other legal and regulatory requirements
Based on our review, the interim condensed consolidated financial information is in agreement with the books of the Parent Company. We further report that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the six-month period ended 30 June 2018 that might have had a material effect on the business or financial position of the Parent Company.

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of Grant Thornton – Al-Qatami, Al-Aiban & Partners

Kuwait
13 August 2018

Interim condensed consolidated statement of profit or loss

	Notes	Three months ended (Unaudited) 30 June 2018 KD	Three months ended (Unaudited) 30 June 2017 KD	Six months ended (Unaudited) 30 June 2018 KD	Six months ended (Unaudited) 30 June 2017 KD
Revenue					
Sales		**19,648,071**	14,949,726	**39,329,490**	30,621,184
Cost of sales		**(17,311,394)**	(12,617,702)	**(34,051,657)**	(26,425,016)
Gross profit		**2,336,677**	2,332,024	**5,277,833**	4,196,168
Investment income	5	**4,795,128**	618,807	**4,980,615**	5,605,353
Interest income		**4,384**	2,696	**7,272**	3,994
Gain on sale of equipment		**879**	-	**879**	-
Other income		**1,193**	14,459	**5,424**	22,699
Foreign currency exchange gain		**38,483**	159,627	**294,597**	322,421
		7,176,744	3,127,613	**10,566,620**	10,150,635
Expenses and other charges					
General and administrative expenses		**(932,900)**	(1,114,224)	**(1,917,580)**	(1,924,273)
Commercial expenses		**(537,700)**	(546,213)	**(894,546)**	(902,604)
Impairment of available for sale investments		**-**	-	**-**	(428,912)
Provision for doubtful debts – net	10,17	**(43)**	-	**(371,889)**	-
Provision for obsolete and slow moving inventories		**(59,870)**	(49,334)	**(59,870)**	(49,334)
Finance costs		**(177,511)**	(186,606)	**(365,521)**	(417,348)
		(1,708,024)	(1,896,377)	**(3,609,406)**	(3,722,471)
Profit for the period before income tax for overseas subsidiary		**5,468,720**	1,231,236	**6,957,214**	6,428,164
Income tax for overseas subsidiary		**(1,053)**	-	**(1,053)**	-
Profit before provisions for contribution to Kuwait Foundation for the Advancement of Sciences (KFAS), National Labor Support Tax (NLST), Zakat and Board of Directors' remuneration		**5,467,667**	1,231,236	**6,956,161**	6,428,164
Provision for contribution to KFAS		**(54,621)**	(12,262)	**(69,480)**	(64,194)
Provision for NLST		**(47,634)**	(37,426)	**(102,950)**	(65,049)
Provision for Zakat		**(18,053)**	(12,971)	**(39,811)**	(24,020)
Provision for directors' remuneration		**(77,500)**	(77,500)	**(155,000)**	(155,000)
Profit for the period		**5,269,859**	1,091,077	**6,588,920**	6,119,901
Profit for the period attributable to:					
Owners of the Parent Company		**5,264,243**	1,086,103	**6,580,741**	6,111,120
Non-controlling interests		**5,616**	4,974	**8,179**	8,781
Profit for the period		**5,269,859**	1,091,077	**6,588,920**	6,119,901
Basic and diluted earnings per share attributable to the owners of the Parent Company	6	**25 Fils**	5 Fils	**31 Fils**	29 Fils

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of profit or loss and other comprehensive income

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2018 KD	30 June 2017 KD	**30 June 2018 KD**	30 June 2017 KD
Profit for the period	**5,269,859**	1,091,077	**6,588,920**	6,119,901
Other comprehensive income/(loss):				
Items that may be reclassified subsequently to consolidated statement of profit or loss:				
Exchange differences arising on translation of foreign operations	**80,421**	(47,864)	**73,177**	(82,902)
Available for sale investments:				
- Net change in fair value arising during the period	**-**	(4,724,818)	**-**	1,094,904
- Transferred to interim condensed consolidated statement of profit or loss on sale	**-**	(7,838)	**-**	59,592
- Transferred to interim condensed consolidated statement of profit or loss on impairment	**-**	-	**-**	428,912
Total other comprehensive income/(loss) that may be reclassified to consolidated statement of profit or loss in subsequent periods	**80,421**	(4,780,520)	**73,177**	1,500,506
Items that will not be reclassified subsequently to consolidated statement of profit or loss:				
Equity investments at fair value through other comprehensive income				
- Net change in fair value arising during the period	**(3,178,094)**	-	**3,773,086**	-
Total other comprehensive (loss)/income that will not be reclassified to consolidated statement of profit or loss in subsequent periods	**(3,178,094)**	-	**3,773,086**	-
Total other comprehensive (loss)/income	**(3,097,673)**	(4,780,520)	**3,846,263**	1,500,506
Total comprehensive income/(loss) for the period	**2,172,186**	(3,689,443)	**10,435,183**	7,620,407
Total comprehensive income/(loss) attributable to:				
Owners of the Parent Company	**2,162,147**	(3,691,785)	**10,422,979**	7,616,186
Non-controlling interests	**10,039**	2,342	**12,204**	4,221
	2,172,186	(3,689,443)	**10,435,183**	7,620,407

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of financial position

	Notes	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Assets				
Non-current assets				
Property, plant and equipment		**5,301,844**	5,563,131	5,654,149
Investment in associate	7	**1,050,000**	-	-
Available for sale investments		**-**	98,786,106	97,947,382
Investments at fair value through other comprehensive income	8	**102,449,904**	-	-
		108,801,748	104,349,237	103,601,531
Current assets				
Inventories	9	**45,813,385**	45,328,526	37,765,370
Trade accounts receivable	10	**18,553,408**	18,081,216	21,030,021
Other receivables and prepayments		**4,206,842**	4,103,641	3,453,001
Investments at fair value through profit or loss		**2**	-	-
Cash and bank balances	11	**3,164,306**	6,007,315	5,233,471
		71,737,943	73,520,698	67,481,863
Total assets		**180,539,691**	177,869,935	171,083,394
Equity and liabilities				
Equity				
Share capital		**20,993,131**	20,993,131	20,993,131
Share premium		**29,160,075**	29,160,075	29,160,075
Statutory reserve		**20,993,131**	20,993,131	20,993,131
Voluntary reserve		**20,993,131**	20,993,131	20,993,131
General reserve		**24,729,315**	24,729,315	23,841,483
Other components of equity	12	**20,184,677**	16,373,288	11,977,196
Retained earnings		**9,129,909**	7,766,602	6,510,993
Total equity attributable to the owners of the Parent Company		**146,183,369**	141,008,673	134,469,140
Non-controlling interests		**458,849**	446,645	445,393
Total equity		**146,642,218**	141,455,318	134,914,533
Non-current liabilities				
Provision for employees' end of service benefits		**3,611,781**	2,932,304	2,780,671
Current liabilities				
Current portion of long term loan		**-**	-	1,827,300
Trade accounts payable		**2,390,920**	2,511,854	2,721,569
Other payables and accruals		**7,594,545**	7,571,325	6,766,814
Short term loans	13	**10,855,091**	9,114,000	9,136,500
Murabaha payables	14	**9,417,538**	14,277,514	12,476,462
Due to banks	11	**27,598**	7,620	459,545
		30,285,692	33,482,313	33,388,190
Total liabilities		**33,897,473**	36,414,617	36,168,861
Total equity and liabilities		**180,539,691**	177,869,935	171,083,394

Bader Naser Al-Kharafi
Chairman

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity

	Equity attributable to the owners of the Parent Company									
	Share capital KD	Share premium KD	Statutory reserve KD	Voluntary reserve KD	General reserve KD	Other components of equity (note 12) KD	Retained earnings KD	Sub-total KD	Non-controlling interests KD	Total KD
Balance at 1 January 2018 (Audited)	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**24,729,315**	**16,373,288**	**7,766,602**	**141,008,673**	**446,645**	**141,455,318**
Cash dividend (Note 15)	-	-	-	-	-	-	(5,248,283)	(5,248,283)	-	(5,248,283)
Transactions with owners	-	-	-	-	-	-	(5,248,283)	(5,248,283)	-	(5,248,283)
Profit for the period	-	-	-	-	-	-	6,580,741	6,580,741	8,179	6,588,920
Other comprehensive income	-	-	-	-	-	3,842,238	-	3,842,238	4,025	3,846,263
Total comprehensive income for the period	-	-	-	-	-	3,842,238	6,580,741	10,422,979	12,204	10,435,183
Profit on sale of equity investments at FVOCI (Note 8)	-	-	-	-	-	(30,849)	30,849	-	-	-
Balance at 30 June 2018 (Unaudited)	**20,993,131**	**29,160,075**	**20,993,131**	**20,993,131**	**24,729,315**	**20,184,677**	**9,129,909**	**146,183,369**	**458,849**	**146,642,218**
Balance at 1 January 2017 (Audited)	20,993,131	29,160,075	20,993,131	20,993,131	23,841,483	10,472,130	4,598,499	131,051,580	441,172	131,492,752
Cash dividend (Note 15)	-	-	-	-	-	-	(4,198,626)	(4,198,626)	-	(4,198,626)
Transactions with owners	-	-	-	-	-	-	(4,198,626)	(4,198,626)	-	(4,198,626)
Profit for the year	-	-	-	-	-	-	6,111,120	6,111,120	8,781	6,119,901
Total other comprehensive income/(loss) for the period	-	-	-	-	-	1,505,066	-	1,505,066	(4,560)	1,500,506
Total comprehensive income for the period	-	-	-	-	-	1,505,066	6,111,120	7,616,186	4,221	7,620,407
Balance at 30 June 2017 (Unaudited))	20,993,131	29,160,075	20,993,131	20,993,131	23,841,483	11,977,196	6,510,993	134,469,140	445,393	134,914,533

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information

Interim condensed consolidated statement of cash flows

	Notes	Six months ended 30 June 2018 (Unaudited) KD	Six months ended 30 June 2017 (Unaudited) KD
OPERATING ACTIVITIES			
Profit for the period		**6,588,920**	6,119,901
Adjustments:			
Depreciation		**523,842**	754,732
Provision for employees' end of service benefits		**708,981**	444,343
Finance costs		**365,521**	417,348
Interest income		**(31,609)**	(23,799)
Dividend income		**(4,830,907)**	(4,722,398)
Other investment income		**(33,143)**	(14,002)
Gain on sale of available for sale of investments		**-**	(856,093)
Impairment of available for sale investments		**-**	428,912
Gain on sale of equipment		**(879)**	-
Provision for doubtful debts - net		**371,889**	-
Provision for obsolete and slow moving inventories		**59,870**	49,334
Foreign exchange gain on non-operating liabilities		**(17,760)**	(240,448)
		3,704,725	2,357,830
Changes in operating assets and liabilities:			
Inventories		**(544,729)**	(2,828,590)
Trade accounts receivable		**(490,814)**	5,280,848
Other receivables and prepayments		**(450,903)**	(2,428,135)
Trade accounts payable		**(120,934)**	1,009,835
Other payables and accruals		**(1,199,592)**	(1,139,625)
Employees' end of service benefits paid		**(29,504)**	(158,327)
Net cash from operating activities		**868,249**	2,093,836
INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(234,620)**	(209,442)
Proceeds from sale of property, plant and equipment		**880**	
Investment in associate	7	**(1,050,000)**	-
Purchase of available for sale investments		**-**	(5,593,499)
Purchase of Investments at fair value through other comprehensive income		**(757,538)**	-
Proceeds from sale of available for sale investments		**-**	12,891,304
Proceeds from sale of Investments at fair value through other comprehensive income		**866,824**	-
Dividend income received		**4,830,907**	4,522,398
Other investment income received		**27,578**	8,321
Interest income received		**31,609**	23,365
Net cash from investing activities		**3,715,640**	11,642,447
FINANCING ACTIVITIES			
Payment of cash dividends		**(4,074,021)**	(3,793,066)
Receipt of term loans		**1,724,591**	-
Repayment of term loans		**-**	(10,339,900)
Receipt of murabaha payables		**3,472,053**	-
Repayment of murabaha payables		**(8,297,769)**	-
Finance costs paid		**(316,971)**	(378,694)
Net movement in time deposit blocked against a letter of guarantee issued		**3,543,780**	(20,426)
Net cash used in financing activities		**(3,948,337)**	(14,532,086)
Increase/(decrease) in cash and cash equivalents		**635,552**	(795,803)
Foreign currency adjustment		**45,241**	(56,641)
Cash and cash equivalents at beginning of the period	11	**2,455,915**	2,105,944
Cash and cash equivalents at end of the period	11	**3,136,708**	1,253,500

The notes set out on pages 7 to 21 form an integral part of this interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information

1 Incorporation and activities

Gulf Cable and Electrical Industries Company – KPSC ("the Parent Company") is a registered Kuwaiti Public Shareholding Company, which was established on 15 March 1975. The shares of the Parent Company are listed on Kuwait Stock Exchange.

The Group comprises the Parent Company and its subsidiaries.

Objectives for which the Parent Company was incorporated are as follows:

1- Produce all kinds of electrical and telephone cables of various sizes and varieties;
2- Produce all kinds of electric and telephone wires of various sizes and varieties;
3- Produce the wires necessary for the production of light bulbs;
4- Produce light bulbs of all varieties and sizes after obtaining the necessary license from the Public Authority for Industry;
5- Manufacture electrical transformers, switches and distribution panels after obtaining the necessary license from the Public Authority for Industry;
6- Various manufacturing relating to power equipment and tools for industrial or household purposes after obtaining the necessary license from the Public Authority for Industry;
7- Produce all kinds of aluminum chips and nylon covering rolls of various sizes and varieties after obtaining the necessary license from the Public Authority for Industry;
8- Produce copper bars which are used in the production of electrical and telephone cables after obtaining the necessary license from the Public Authority for Industry;
9- Trade in all kinds of these products;
10- Import machinery, plant, equipment and tools necessary to achieve the Company's objectives;
11- Import the raw materials for this industry;
12- Invest the surplus funds in investment portfolios in order to serve the Company's objectives.

The Parent Company may have interest or participate in any aspect in the entities which practice similar activities or which may assist it in the achievement of its objectives in Kuwait and abroad. The Parent Company may also purchase these entities or affiliate them therewith.

The address of the Parent Company's registered office is PO Box 1196, Safat 13012, State of Kuwait.

This interim condensed consolidated financial information for the six-month period ended 30 June 2018 was authorised for issue by the Parent Company's board of directors on 13 August 2018.

2 Basis of preparation

The interim condensed consolidated financial information of the Group for the six-month period ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting". The accounting policies used in the preparation of the interim condensed financial information are consistent with those used in the preparation of the annual financial statements of the Group for the year ended 31 December 2017 except for the new accounting policy and adoption of relevant new standards, amendments to certain standards and interpretations discussed below.

Notes to the interim condensed consolidated financial information (continued)

2 Basis of preparation (continued)

This interim condensed consolidated financial information is presented in Kuwaiti Dinars ("KD") which is the functional and presentation currency of the Parent Company.

This interim condensed consolidated financial information does not include all information and disclosures required for complete financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the six-month period ended 30 June 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018. For further details, refer to the consolidated financial statements and its disclosures for the year ended 31 December 2017.

The Group has consolidated its subsidiaries using management accounts for the period ended 30 June 2018.

3 Changes in accounting policies

3.1 New accounting policy

3.1.1 Investment in associate

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investment in associate is initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associate.

Under the equity method, the carrying amount of the investment in associate is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

The difference in reporting dates of the associates and the Group is typically not more than three months. Adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Group's interim condensed consolidated financial information. The associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in the interim condensed consolidated statement of profit or loss.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 New and amended standards adopted by the Group

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018 which have been adopted by the Group. Information on these new standards is presented below:

Standard or Interpretation	*Effective for annual periods beginning*
IFRS 9 Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018

IFRS 9 Financial Instruments: Classification and Measurement

The IASB published IFRS 9 'Financial Instruments' (2014), representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

The main areas of impact are as follows:

- the classification and measurement of the financial assets are based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed.
- an expected credit loss-based impairment is recognised on the trade receivables and investments in debt-type assets currently classified as available for sale and held-to-maturity, unless classified as at fair value through profit or loss in accordance with the new criteria.
- it is no longer possible to measure equity investments at cost less impairment and all such investments are instead measured at fair value. Changes in fair value are presented in profit or loss unless an irrevocable designation is made to present them in other comprehensive income.
- if the fair value option continues to be elected for certain financial liabilities, fair value movements are presented in other comprehensive income to the extent those changes relate to own credit risk.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and Fair value through profit or loss (FVTPL). The standard eliminates the IAS 39 categories of held to maturity, loans and receivables and available for sale.

Further, the gains and losses on subsequent measurement of debt type financial instruments measured at Fair Value Through Other Comprehensive Income (FVOCI) are now recognised in equity and will be recycled to profit or loss on derecognition or reclassification.

However, gains or losses on subsequent measurement of equity type financial assets measured at FVOCI are now recognised in equity and not recycled to profit or loss on derecognition. Dividend income on these assets continues to be recognised in profit or loss.

Based on the analysis of the Group's financial assets and liabilities as at 1 January 2018 and of the circumstances that existed at that date, management of the Parent Company have determined the impact of implementation of IFRS 9 on the consolidated financial statements of the Group as follows:

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments: Classification and Measurement(continued)
Classification and measurement:
Equity investments amounting to KD98,786,106 have been reclassified from Available for Sale investments to FVOCI of KD98,786,104 and FVTPL of KD2.

Loans as well as trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Management analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under IFRS 9. Therefore, reclassification for these instruments is not required.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	IAS 39		IFRS 9	
	Classification	Carrying amount KD	Classification	Carrying amount KD
Financial assets				
Reclassification of available for sale (AFS):				
Equity securities - quoted	AFS	65,322,115	FVTOCI	65,322,115
Equity securities - unquoted	AFS	31,392,077	FVTOCI	31,392,076
			FVTPL	1
Managed funds	AFS	2,071,914	FVTOCI	2,071,913
			FVTPL	1
Trade accounts receivable	Loans and receivables	18,081,216	Amortised cost	18,081,216
Other receivables (excluding prepayments)	Loans and receivables	3,825,599	Amortised cost	3,825,599
Cash and bank balances	Loans and receivables	6,007,315	Amortised cost	6,007,315
Total financial assets		126,700,236		126,700,236

There is no impact on the financial liabilities of the Group and will continue to be measured at amortised cost.

Impairment:
IFRS 9 requires the Group to record expected credit losses (ECL) on all of its financial assets measured at amortised cost. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Under IFRS 9, the Group measures ECL as follows:

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 New and amended standards adopted by the Group (continued)

IFRS 9 Financial Instruments: Classification and Measurement(continued)

Impairment: (continued)

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Group has applied simplified approach to impairment for other assets as required or permitted under the standard. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Management determined that the additional impairment required by this standard was not material and accordingly, the Group did not recognise any additional impairment losses on its financial assets measured at amortized cost.

Summary of impact on application of IFRS 9:
As allowed by the transition provisions of IFRS 9, the Group elected not to restate comparative information for prior periods with respect to classification and measurement, and impairment requirements.

The implementation of IFRS 9 has resulted in the following impact:

	31 Dec. 2017 KD	Adjustments/ reclassification KD	1 Jan. 2018 KD
Assets			
Available for sale investments	98,786,106	(98,786,106)	-
Investments at fair value through other comprehensive income	-	98,786,104	98,786,104
Investments at fair value through profit or loss	-	2	2
Trade accounts receivable	18,081,216	-	18,081,216
Other receivables (excluding prepayments)	3,825,599	-	3,825,599
Cash and bank balances	6,007,315	-	6,007,315

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaced IAS 18 "Revenues", IAS 11 "Construction Contract" and several revenues – related Interpretations and provides a new control-based revenue recognition model using five-step approach to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.2 New and amended standards adopted by the Group (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The standard includes important guidance, such as:

- Contracts involving the delivery of two or more goods or services – when to account separately for the individual performance obligations in a multiple element arrangement, how to allocate the transaction price, and when to combine contracts
- Timing – whether revenue is required to be recognized over time or at a single point in time
- Variable pricing and credit risk – addressing how to treat arrangements with variable or contingent (e.g. performance-based) pricing, and introducing an overall constraint on revenue
- Time value – when to adjust a contract price for a financing component
- Specific issues, including –
    - non-cash consideration and asset exchanges
    - contract costs
    - rights of return and other customer options
    - supplier repurchase options
    - warranties
    - principal versus agent
    - licensing
    - breakage
    - non-refundable upfront fees, and
    - consignment and bill-and-hold arrangements.

Adoption of this standard did not have a significant impact on the Group's interim condensed consolidated financial information.

Annual Improvements to IFRSs 2014-2016 Cycle

Amendments to IAS 28 - Clarifies that a qualifying entity is able to choose between applying the equity method or measuring an investment in an associate or joint venture at fair value through profit or loss, separately for each associate or joint venture at initial recognition of the associate or joint venture.

Adoption of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The Interpretations looks at what exchange rate to use for translation when payments are made or received in advance of the related asset, expense or income. A diversity was observed in practice in circumstances in which an entity recognises a non-monetary liability arising from advance consideration. The diversity resulted from the fact that some entities were recognising revenue using the spot exchange rate at the date of the receipt of the advance consideration while others were using the spot exchange rate at the date that revenue was recognized. IFRIC 22 addresses this issue by clarifying that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Adoption of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

Notes to the interim condensed consolidated financial information (continued)

3 Changes in accounting policies (continued)

3.3 IASB Standards issued but not yet effective

At the date of authorisation of this interim consolidated financial information, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncements. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's consolidated financial statements.

4 Judgment and estimates

The preparation of interim condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim condensed consolidated financial information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2017.

5 Investment income

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2018 KD	30 June 2017 KD	**30 June 2018 KD**	30 June 2017 KD
Dividend income	**4,682,792**	591,650	**4,830,907**	4,722,398
Other investment income	**33,936**	17,041	**57,480**	33,807
Gain on sale of available for sale investments	**-**	24,070	**-**	856,093
Foreign currency exchange gain/(loss)	**78,400**	(13,954)	**92,228**	(6,945)
	4,795,128	618,807	**4,980,615**	5,605,353

6 Basic and diluted earnings per share attributable to the owners of the Parent Company

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended (Unaudited)		Six months ended (Unaudited)	
	30 June 2018	30 June 2017	**30 June 2018**	30 June 2017
Profit for the period attributable to the owners of the Parent Company (KD)	**5,264,243**	1,086,103	**6,580,741**	6,111,120
Weighted average shares outstanding during the period (shares)	**209,931,309**	209,931,309	**209,931,309**	209,931,309
Basic and diluted earnings per share attributable to the owners of the Parent Company	**25 Fils**	5 Fils	**31 Fils**	29 Fils

Notes to the interim condensed consolidated financial information (continued)

7 Investment in associate

Details of the investment in associate is given below:

	Country of incorporation	Ownership percentage			Principal activities
		30 June 2018 %	31 Dec. 2017 %	30 June 2017 %	
Team Holding Company – KSC (Closed) - (Unquoted)	Kuwait	**47.5**	-	-	Financing and investment

During the period, the Parent Company participated in the establishment of Team Holding Company – KSC (Closed) with a capital contribution of KD1,050,000 representing 47.5% ownership interest.

Until the date of authorization of this interim condensed consolidated financial information, the associate did not commence its operations.

8 Investments at fair value through other comprehensive income

The components of investments at fair value through other comprehensive income are as follows:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Local quoted securities held through managed portfolios	**52,576,779**	-	-
Local unquoted securities held through managed portfolios	**5,339,645**	-	-
Foreign quoted securities held through managed portfolios	**16,671,641**	-	-
Foreign unquoted securities	**25,857,522**	-	-
Local unquoted securities	**8,410**	-	-
Local managed fund	**1,995,907**	-	-
	102,449,904	-	-

During the period, the Group sold investments at fair value through other comprehensive income with a total cost of KD835,975 for a total consideration of KD866,824 resulting into a profit of KD30,849 recognized directly in retained earnings within equity.

Managed fund include investment in units of private equity fund amounting to KD1,995,907 (managed funds included in available for sale investments as at 31 December 2017: KD2,071,914 and 30 June 2017: KD2,040,813). Fair value of this investment is determined using net asset values reported by the investment managers and the management believes that this represent the best estimate of fair value available for this investment.

Notes to the interim condensed consolidated financial information (continued)

9 Inventories

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Raw materials	**19,249,416**	18,049,328	14,538,217
Finished goods	**15,327,883**	15,350,511	13,832,302
Work-in-progress	**6,067,424**	6,203,449	4,503,875
Spare parts	**2,016,278**	1,956,088	1,955,522
	42,661,001	41,559,376	34,829,916
Less: Provision for obsolete and slow moving inventories	**(2,012,086)**	(1,947,743)	(1,375,732)
	40,648,915	39,611,633	33,454,184
Goods in transit and prepaid letters of credit	**5,164,470**	5,716,893	4,311,186
	45,813,385	45,328,526	37,765,370

10 Trade accounts receivable

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Trade accounts receivable	**24,716,444**	24,219,031	26,487,663
Less: provision for doubtful debts	**(6,163,036)**	(6,137,815)	(5,457,642)
	18,553,408	18,081,216	21,030,021

11 Cash and cash equivalents

Cash and cash equivalents in the interim condensed consolidated statement of cash flows comprise of the following accounts:

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Cash in hand	**20,866**	126,113	58,337
Cash held in managed portfolios	**191,031**	458,138	278,094
Bank balances	**2,952,409**	1,879,284	1,376,614
Time deposit blocked against a letter of guarantee issued with original maturity not exceeding three months	**-**	3,543,780	3,520,426
Total cash and bank balances	**3,164,306**	6,007,315	5,233,471
Less: time deposit blocked against a letter of guarantee issued with original maturity not exceeding three months	**-**	(3,543,780)	(3,520,426)
Less: due to banks	**(27,598)**	(7,620)	(459,545)
Cash and cash equivalents as per interim condensed consolidated statement of cash flows	**3,136,708**	2,455,915	1,253,500

Time deposit carried annual effective interest rate of 1.5% as at 31 December 2017 and 1.25% as at 30 June 2017 and was blocked against a letter of guarantee expired during the current period.

Notes to the interim condensed consolidated financial information (continued)

12 Other components of equity

	Fair value reserve KD	Foreign currency translation reserve KD	Total KD
Balance at 1 January 2018 (audited)	**15,962,062**	**411,226**	**16,373,288**
Exchange differences arising on translation of foreign operations	**-**	**69,152**	**69,152**
Equity investments at fair value through other comprehensive income:			
- Net change in fair value arising during the period	**3,773,086**	**-**	**3,773,086**
Total other comprehensive income	**3,773,086**	**69,152**	**3,842,238**
Profit on sale of equity investments at FVOCI	**(30,849)**	**-**	**(30,849)**
Balance at 30 June 2018 (unaudited)	**19,704,299**	**480,378**	**20,184,677**
Balance at 1 January 2017 (audited)	9,881,981	590,149	10,472,130
Exchange differences arising on translation of foreign operations	-	(78,342)	(78,342)
Available for sale investments:			
- Net change in fair value arising during the period	1,094,904	-	1,094,904
- Transferred to interim condensed consolidated statement of profit or loss on sale	59,592	-	59,592
- Transferred to interim condensed consolidated statement of profit or loss on impairment	428,912	-	428,912
Total other comprehensive income/(loss)	1,583,408	(78,342)	1,505,066
Balance at 30 June 2017 (unaudited)	11,465,389	511,807	11,977,196

13 Short term loans

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
USD facilities	**10,855,091**	9,114,000	9,136,500
	10,855,091	9,114,000	9,136,500

The short term loans carry interest rate of 1.75% (31 December 2017: 1.75% and 30 June 2017: 1.75%) per annum above one to three-month LIBOR. The loans mature on various dates ending on 30 September 2018 (31 December 2017: various dates ending 11 February 2018 and 30 June 2017: various dates ending 11 August 2017).

14 Murabaha payables

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
USD murabaha facilities	**9,417,538**	14,277,514	12,476,462
	9,417,538	14,277,514	12,476,462

Notes to the interim condensed consolidated financial information (continued)

14 Murabaha payables (continued)

The murabaha facilities were granted to the Group by a local Islamic bank and carry average annual profit rate of 4.14% (31 December 2017: 3.29% and 30 June 2017: 3.13%). The murabaha payables mature on various dates ending on 7 November 2018 and are renewable (31 December 2017: varies dates ending on 13 June 2018 renewable and 30 June 2017: varies dates ending 28 September 2017 and renewable).

15 General Assembly of the Shareholders and dividend distribution

The annual general assembly of the shareholders held on 7 May 2018 approved the consolidated financial statements of the Group for the year ended 31 December 2017 and cash dividend of 25% (2016: 20%) equivalent to 25 Fils (2016: 20 Fils) per share of the paid up share capital amounting to KD5,248,283 for the year ended 31 December 2017 (2016: KD4,198,626).

Further, the shareholders approved the board of directors' remuneration of KD310,000 for the year ended 31 December 2017 (2016: KD310,000) and was paid following that approval.

16 Segmental information

Operating segments are identified based on internal management reporting information that is regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance, and is reconciled to the Group's profit or loss.

The Group's reportable segments are cable manufacture and investment. The information relating to these segments are as follows:

	Cable manufacture KD	Investment KD	Total KD
For the three months ended 30 June 2018 (Unaudited):			
Revenue	19,648,071	4,795,128	24,443,199
Segment profit	755,310	4,713,410	5,468,720
Unallocated expenses			(198,861)
Profit for the period			5,269,859
Additions to property, plant and equipment	118,443	-	118,443
Depreciation	261,735	-	261,735
Finance costs	126,843	50,668	177,511
Dividend income	-	4,682,792	4,682,792
For the six months ended 30 June 2018 (Unaudited):			
Revenue	39,329,490	4,980,615	44,310,105
Segment profit	2,486,725	4,470,489	6,957,214
Unallocated expenses			(368,294)
Profit for the period			6,588,920
Additions to property, plant and equipment	234,620	-	234,620
Depreciation	523,842	-	523,842
Finance costs	270,494	95,027	365,521
Dividend income	-	4,830,907	4,830,907
Total assets	73,238,026	107,301,665	180,539,691
Total Liabilities	(28,687,205)	(5,210,268)	(33,897,473)
Net assets	44,550,821	102,091,397	146,642,218

Notes to the interim condensed consolidated financial information (continued)

16 Segmental information (continued)

	Cable manufacture KD	Investment KD	Total KD
For the three months ended 30 June 2017 (Unaudited):			
Revenue	14,949,726	618,807	15,568,533
Segment profit	732,778	498,458	1,231,236
Unallocated expenses			(140,159)
Profit for the period			1,091,077
Additions to property, plant and equipment	70,268	-	70,268
Depreciation	378,555	-	378,555
Finance costs	134,412	52,194	186,606
Dividend income	-	591,650	591,650
For the six months ended 30 June 2017 (Unaudited):			
Revenue	30,621,184	5,605,353	36,226,537
Segment profit	1,464,972	4,963,192	6,428,164
Unallocated expenses			(308,263)
Profit for the period			6,119,901
Additions to property, plant and equipment	209,442	-	209,442
Depreciation	754,732	-	754,732
Impairment of available for sale investments	-	428,912	428,912
Finance costs	303,813	113,535	417,348
Dividend income	-	4,722,398	4,722,398
Total assets	66,770,770	104,312,624	171,083,394
Total liabilities	(29,109,967)	(7,058,894)	(36,168,861)
Net assets	37,660,803	97,253,730	134,914,533

17 Related party balances and transactions

Related parties represent subsidiaries, associate, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Parent Company and its subsidiaries which are related parties of the Parent Company have been eliminated on consolidation and are not disclosed in this note. Details of balances and transactions between the Group and its related parties are disclosed below.

	30 June 2018 (Unaudited) KD	31 Dec. 2017 (Audited) KD	30 June 2017 (Unaudited) KD
Interim condensed consolidated statement of financial position			
Trade accounts receivable (net)	**1,079**	-	547,264
Other receivables and prepayments (net)	**3,267,901**	3,602,598	2,117,150
Trade accounts payables	**10,061**	8,921	7,961

Notes to the interim condensed consolidated financial information (continued)

17 Related party balances and transactions (continued)

	Three months ended		Six months ended	
	30 June 2018 (Unaudited) KD	30 June 2017 (Unaudited) KD	**30 June 2018 (Unaudited) KD**	30 June 2017 (Unaudited) KD
Interim condensed consolidated statement of profit or loss:				
Sales	**31,132**	-	**38,890**	2,236
Industrial expenses	**533**	2,987	**2,778**	3,947
Provision for doubtful debts	**-**	-	**353,267**	-
Key management compensation:				
Salaries and other short term benefits	**130,823**	100,357	**227,376**	221,661
End of service benefits	**34,490**	123,226	**107,727**	130,140
Provision for directors' remuneration	**77,500**	77,500	**155,000**	155,000
	242,813	301,083	**490,103**	506,801

18 Contingent liabilities

Contingent liabilities at 30 June 2018 in respect of outstanding letters of guarantee amounted to KD6,565,466 (31 December 2017: KD13,364,347 and 30 June 2017: KD11,155,316).

19 Capital commitments

At the period end, the Group had capital commitments to purchase new machinery and equipment amounting to KD719,234 (31 December 2017: KD646,508 and 30 June 2017: KD262,232).

20 Fair value measurement

20.1 Fair value hierarchy

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and financial liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement of financial instruments

The financial assets measured at fair value in the interim condensed consolidated statement of financial position are grouped into the fair value hierarchy as follows:

30 June 2018 (Unaudited):	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Investments at fair value through other comprehensive income:				
Local quoted securities held through managed portfolios	**52,576,779**	**-**	**-**	**52,576,779**
Local unquoted securities held through managed portfolios	**-**	**-**	**5,339,645**	**5,339,645**
Foreign quoted securities held through managed portfolios	**16,671,641**	**-**	**-**	**16,671,641**
Foreign unquoted securities	**-**	**-**	**25,857,522**	**25,857,522**
Local unquoted securities	**-**	**-**	**8,410**	**8,410**
Local managed fund	**-**	**1,995,907**	**-**	**1,995,907**
	69,248,420	**1,995,907**	**31,205,577**	**102,449,904**

31 December 2017 (Audited):	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale investment:				
Local quoted securities held through managed portfolios	52,300,886	-	-	52,300,886
Local unquoted securities held through managed portfolios	-	-	5,529,860	5,529,860
Foreign quoted securities held through managed portfolios	13,021,229	-	-	13,021,229
Foreign unquoted securities	-	-	25,264,664	25,264,664
Local unquoted securities	-	-	8,185	8,185
Local managed fund	-	2,071,913	-	2,071,913
Foreign managed fund	-	1	-	1
	65,322,115	2,071,914	30,802,709	98,196,738

30 June 2017 (Unaudited):	Level 1 KD	Level 2 KD	Level 3 KD	Total KD
Available for sale investment:				
Local quoted securities held through managed portfolios	54,399,945	-	-	54,399,945
Local unquoted securities held through managed portfolios	-	-	5,480,902	5,480,902
Foreign quoted securities held through managed portfolios	9,872,831	-	-	9,872,831
Foreign unquoted securities	-	-	25,527,867	25,527,867
Local unquoted securities	-	-	35,657	35,657
Local managed fund	-	2,022,295	-	2,022,295
Foreign managed funds	-	18,518	-	18,518
	64,272,776	2,040,813	31,044,426	97,358,015

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

Notes to the interim condensed consolidated financial information (continued)

20 Fair value measurement (continued)

20.2 Fair value measurement for financial instruments (continued)

Level 3 fair value measurements

The Group's financial assets classified in level 3 uses valuation techniques based on significant inputs that are not based on observable market data. The financial instruments within this level can be reconciled from beginning to ending balances as follows:

	(Unquoted securities)		
	(Investments at fair value through OCI) 30 June 2018 (Unaudited) KD	(Available for sale investments) 31 Dec. 2017 (Audited) KD	(Available for sale investments) 30 June 2017 (Unaudited) KD
Opening balance at the beginning of the period/year	**30,802,709**	30,486,976	30,486,976
Additions	**69**	-	-
Transfer from AFS investments previously measured at cost	**142,971**	808,586	808,586
Transfer to investments at FVTPL	**(1)**	-	-
Disposals	**(36,893)**	-	-
Net changes in fair value	**296,722**	(492,853)	(251,136)
Closing balance at the end of period/year	**31,205,577**	30,802,709	31,044,426

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value of financial instruments that are not traded in an active market (e.g unquoted securities) is determined by using valuation techniques. Fair value for the unquoted securities investments are approximately the summation of the estimated value of underlying investments as if realised on the reporting date.

The investment managers in determining the fair value of these investments use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Investment managers used techniques such as discounted cash flow analysis, recent transactions prices and market multiples to determine fair value.

The impact on interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of profit or loss and other comprehensive income would be immaterial if the relevant risk variable used to fair value the level 3 investments were changed by 5%.

21 Financial risk management

All aspects of the Group's financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2017.